

**Commander Fleet Activities Okinawa/  
U. S. Fleet and Industrial Supply Center, Yokosuka  
Consolidation of Logistics Support  
Business Case Analysis**

## **1. INTRODUCTION**

**1.1 Purpose:** This report provides the results and recommendations of a Business Case Analysis (BCA) to establish a partnership between Commander Fleet Activities Okinawa (CFAO) and the U.S. Fleet and Industrial Supply Center, Yokosuka (FISC Yokosuka) for consolidation of Navy logistics support in Okinawa.

**1.2 Background:** Consolidation of Navy logistics through a system of partnerships between Fleet and Industrial Supply Centers and other Navy organizations engaged in similar logistics activities is the strategy employed by the Naval Supply Systems Command (NAVSUP) to preserve the U.S. Navy's warfighting capabilities during reductions in annual budgets. Logistical support for Navy and Marine Corps aviation activities located on the island of Okinawa and for visiting ships is currently provided via numerous activities and channels.

The mission of FISC Yokosuka is to provide supplies and services to forces forward deployed or permanently stationed in the Western Pacific. FISC Yokosuka provides direct logistical support to several large commands on the island of Okinawa including MALS-36, NSGA Hanza, and U.S. Naval Hospital Okinawa. Requirements for these large commands are submitted directly to FISC Yokosuka. CFAO does not provide support to these commands, except in rare circumstances such as urgent walk-thrus or local purchase requirements. Using UADPS-2 supply management programs, FISC provides a broad scope of logistical support services, including management of a wide range of material at multiple sites throughout Japan.

The Commander Fleet Activities Okinawa (CFAO) Logistics Department provides logistical support to the aviation squadrons and detachments at U.S. Naval Air Facility Kadena and to units transiting Okinawa. Specifically, the Logistics Department:

a. Operates a Customer Service Section, which serves as the single point of contact for activities to place requirements for material and services, both aviation and non-aviation. Customer Service responsibilities include stock control, receipt control, DTO material control, MOV processing, and follow-up action for proof of delivery and internal supply department functions.

b. Operates a Material Division which receives, stores and issues aviation and general stores material. DRMO operations for all island Navy customers and hazardous materials operations are included in this division's responsibilities.

c. Operates the Combined Bachelor Quarters (CBQ).

d. Operates an Automated Data Processing Division (ADP).

e. Operates a Financial Division.

f. Manages Interservice/Intraservice Support Agreements (ISSAs).

g. Operates a Postal Division.

Inventory management at CFAO is performed using the UADPS Level II inventory system which provides real-time, automated database management. However, no inventory visibility of CFAO assets exists at the FISC, or regional level. The Logistics department at CFAO does not possess the surge capability to fully accommodate ARG re-supply requirements, further stressing the fragmentation between the various logistics networks during periods of heavy port loading.

**1.3 Concept of Operations:** Under the proposed partnership, FISC Yokosuka Detachment Okinawa would be established using a UADPS-2 inventory system, eliminating the current UADPS Level II system. Inventories held at FISC Yokosuka Detachment Okinawa would comprise one site within FISC's regional system.

**1.4 Scope:** This proposal specifically addresses the management and storage of retail consumable inventories held at CFAO. Excluded in this proposal are fuel operations.

**1.5 Objective:** To quantify the expected efficiencies and economies to be achieved through a logistics support partnership.

**1.6 Assumptions and Constraints:** Results of this BCA are based on the following assumptions and constraints:

- a. Inventory to be positioned at FISC Yokosuka Detachment Okinawa would be based on demands from Navy and Marine Corps aviation customers in the Okinawa operating area. Initially, the current inventory would be transferred to FISC, and aviation and non-aviation line items would be positioned as required as demand history is built.
- b. UADPS-2 would be the inventory management system utilized by FISC Yokosuka and partner sites.
- c. Specific commodities of material (e.g. classified, medical, gases and cylinders, hazardous, etc.) may be excluded from site positioning.
- d. The CBQ, Budget, and Base Level Computing (BLC) operations are not part of the proposed partnership.
- e. CFAO's ISSA with the U.S. Air Force will remain in effect, requiring 5 TAD MLC billets for packing and crating duties. The responsibilities defined in the ISSA would transfer to FISC Yokosuka.
- f. The costs for materials, supplies, and training for local operations are expected to remain constant.
- g. If the proposed partnership is approved, CFAO will transfer functions and resources to FISC Yokosuka in order to establish FISC Yokosuka Detachment Okinawa. On the effective partnership date, FISC Yokosuka will assume responsibility for the budgeting, staffing, and execution of all transferred functions. CFAO will continue to serve its primary role as the Okinawa area Navy representative. FISC Yokosuka Detachment Okinawa will maintain the same relationship with CFAO that all other Navy activities on Okinawa maintain.

## 2. FUNCTIONAL REQUIREMENTS

### 2.1 Overview

**2.1.1 Current Operations:** CFAO manages its supply operations using a stand alone UADPS Level II system. Until recently, CFAO's primary customer was Naval Air Facility Kadena (NAFK), and the department managed over 30,000 line items of material. After the closing of NAFK's AIMD, CFAO's customer base was essentially eliminated. CFAO Logistics Department currently manages less than 1,000 line items. Despite this drastic reduction in inventory, the ADP system, warehousing capacity, and labor force still exist to handle a significantly smaller volume of business.

#### 2.1.2 Workload Data (monthly average):

	Issues	Purchases	Receipts	FIR Transactions
CFAO	150	114	800*	2,416

\* Includes transshipments

### 2.2 Requirements:

**2.2.1 CFAO:** A partnership with FISC Yokosuka must help CFAO accomplish its mission as efficiently as possible. Ultimately, it is expected to enhance on-island support for Navy and Marine Corps aviation customers by increasing the range and depth of stock carried and reducing Average Customer Wait Time (ACWT). Improved asset visibility and inventory management will also be realized.

**2.2.2 FISC Yokosuka:** A partnership with CFAO must be cost effective, provide asset visibility, and provide the same or better level of service to the customer.

### 3. FUNCTIONAL ANALYSIS

**3.1 BCA Methodology:** Data for this study was collected by teams of CFAO and FISC Yokosuka personnel. On-site visits were conducted to observe/discuss current business practices and processes, and to review existing records/reports. The proposed operations scenario was developed from the analysis of the data collected. Costs for both the present and the proposed operations were based on information provided by CFAO and FISC Yokosuka personnel.

#### 3.2 Baseline Cost Analysis:

##### 3.2.1 Baseline Costs:

**3.2.1.1 Civilian Personnel:** Civilian personnel costs were calculated based on authorized positions (in the impacted areas) at representative pay rates.

#### BASELINE USCS LABOR COSTS

AUTHORIZED POSITIONS	PAY PLAN/ GRADE	ANNUAL LABOR COST (BILLETS)	ANNUAL LABOR COST
<b>CFAO - USCS</b>			
Purchasing Division	GS-09	1	\$ 64,809
Purchasing Division	GS-06	1	\$ 54,293
<b>USCS LABOR COST TOTAL</b>		<b>2</b>	<b>\$ 119,102</b>

#### BASELINE MLC LABOR COSTS

AUTHORIZED POSITIONS	PAY PLAN/ GRADE	ANNUAL LABOR COST (BILLETS)	ANNUAL LABOR COST
<b>CFAO - MLC</b>			
Administrative Division	MLC	1	\$ 47,000
Stock Control Division	MLC	5	\$235,000
Purchasing Division	MLC	4	\$188,000
ADP Division (Non-BLC)	MLC	2	\$ 94,000
QA/Hazmat Division	MLC	2	\$ 94,000
Postal Division	MLC	1	\$ 47,000
Material Division	MLC	9	\$423,000
Overtime Costs	MLC		\$ 49,614
<b>MLC LABOR COST TOTAL</b>		<b>24</b>	<b>\$1,177,614</b>

**3.2.1.2 Military Personnel:** Military labor costs were calculated using Military Composite Standard Pay and Reimbursement Rates for current billet assignments in the BCA functional areas and civilian equivalent pay rates.

### BASELINE MILITARY LABOR COSTS

AUTHORIZED POSITIONS	PAY PLAN/ GRADE	ANNUAL LABOR COST (BILLETS)	ANNUAL LABOR COST
<b>CFAO</b>			
Administrative Division	CW04	1	\$ 90,190
Material Division	E-7	1	\$ 54,293
Material Division	E-6	2	\$ 93,888
Material Division	E-5	1	\$ 39,657
Material Division	E-4	1	\$ 32,339
Postal Division	E-6	1	\$ 46,944
Postal Division	E-5	1	\$ 39,657
Postal Division	E-3	4	\$107,216
PUK Management	E-7	1	\$ 54,293
PUK Management	E-4	1	\$ 32,339
Port Operations (White Beach)	E-5	1	\$ 39,657
<b>MILITARY LABOR COST TOTAL</b>		<b>15</b>	<b>\$630,473</b>

\*Listed billets may not reflect actual personnel present.

**3.2.1.3 ADP:** The annual cost of supporting the UADPS Level II system is a \$78K IBM maintenance contract. Additionally, under the current Level II System, CFAO is scheduled to re-host to a newer IBM mainframe platform. The one-time conversion cost of this re-hosting effort is estimated at \$466,000.

#### 3.2.2 Total Baseline Costs:

COST CATEGORY	ANNUAL COST	
	Dollars	BILLETS
USCS	\$ 119,102	2
MLC *	\$1,177,614	24
Military Personnel	\$ 630,473	15
Annual ADP Maintenance	\$ 78,000	-
<b>TOTAL BASELINE COSTS</b>	<b>\$2,005,189</b>	<b>41</b>

\* Includes MLC labor overtime costs

### 3.3 FISC Yokosuka Proposal Cost Analysis:

**3.3.1 Concept of Operations:** FISC Yokosuka proposes to establish a logistics partnership at CFAO. Material currently stocked and managed by CFAO Logistics Department would be incorporated into FISC Yokosuka Detachment Okinawa. Under this proposal, "A" condition code inventories held at CFAO would be owned and managed by FISC Yokosuka, and they would support the Okinawa regional customer base, including MALS-36, NAF Kadena, and visiting ships. This partnership would integrate the resources of FISC Yokosuka and CFAO Logistics Department into one consolidated site within the FISC regional network. This site would serve as the storefront for all FISC products and services, providing Okinawa customers with "one-touch supply". Material positioning at the site is intended to improve customer response time, minimize the impact of transportation delays, and reduce the level of end-use material stocked by customers to accommodate order and delivery time frames. Material unique to Okinawa customers, such as unique helicopter components for MALS-36, would be positioned at FISC's Okinawa Detachment, closer to the point of customer consumption. Stock levels at Okinawa could double from less than 1,000 line items to over 2,000 line items, due to the positioning of these unique customer requirements.

During periods of heavy port loading, staffing at FISC's Okinawa site would be augmented through the deployment of beach detachments or fly-away teams from Yokosuka. These teams would bolster the existing infrastructure in Okinawa as needed to ensure fleet requirements are fulfilled at White Beach. The Storekeeper Second Class billet, currently assigned at CFAO Port Operations, White Beach to serve as a customer service representative for visiting ships, would transfer to the FISC Detachment Okinawa. This

FISC customer service representative would be on site to act as a point of contact for addressing FFV, dairy, bread, 1Q, postal support, and other LOGREQ needs.

Under the proposed concept of operations, products and services currently provided by CFAO Logistics Department such as Customer Service, Local Purchasing, and Physical Distribution would continue to be provided by FISC's Okinawa Detachment, essentially as they are today. DRMO functions would be assumed by FISC Yokosuka. Stateside purchasing, inventory management and financial material accounting functions would also transfer to FISC's Okinawa Detachment, freeing up labor resources that are currently duplicated at FISC and CFAO. Government Purchase card authority for items less than \$2500 will be granted to several personnel within CFAO. CFAO's Public Works Department would furnish FISC with fork trucks and other Material Handling Equipment as needed on a reimbursable basis. CFAO would use one bay in its main warehouse for storage of MWR, CBQ, Public Works and typhoon locker materials. The two junior Aviation Storekeeper billets (E4 and E5) currently part of the Material Division would be transferred to FISC Detachment Okinawa to assume aviation PUK inventory management responsibilities. Chart 1 below shows the current staffing and the proposed staffing requirements under the partnership. Chart 2 shows a breakdown of the reductions for CFAO divisions.

**CHART 1: STAFFING COMPARISON BY PERSONNEL CATEGORIES  
(USCS, MLC, MILITARY)**

PERSONNEL	CURRENT NUMBER OF POSITIONS	PROPOSED FISC DET REQUIREMENTS	CFAO REMAINING POSITIONS
Civilian USCS	2	1	1
Civilian MLC	24	18	6
Military Billets	15	15	0
<b>TOTALS</b>	<b>41</b>	<b>34</b>	<b>7</b>

**CHART 2: STAFFING COMPARISON BY DIVISIONAL FUNCTION**

CFAO DIVISION	CURRENT NUMBER OF POSITIONS	PROPOSED FISC DET REQUIREMENTS	CFAO REMAINING POSITIONS
Administrative Division	2	2	0
Stock Control	5	1	4
Purchasing	6	5	1
Material	14	14	0
ADP (Non-BLC)	2	0	2
Postal	7	7	0
PUK Management	2	2	0
QA/Hazmat	2	2	0
Port Operations (White Beach)	1	1	0
<b>TOTALS</b>	<b>41</b>	<b>34</b>	<b>7</b>

### 3.3.2 Projected Annual Costs:

**3.3.2.1 Civilian Personnel:** Projected civilian labor costs reflect the transfer of inventory management responsibilities for "A" condition code stocks to FISC Yokosuka which reduces the number of Item Manager requirements in Stock Control Division at CFA-O by 4 MLC personnel. Although the U2 ADP System conversion would allow for a reduction in 2 MLC (Non-BLC) personnel, these personnel will be retained by CFAO to support IT21 initiatives. If a partnership is established with the Kadena AFB Pharmacy program in Hazmin operations, a reduction of 1 MLC billet in the QA/Hazmat Division will be considered at that time. Costs in the chart below do not reflect this possibility. The establishment of a storefront activity at CFAO was taken into consideration and is reflected in the number of personnel assets required in this proposal. Personnel savings will be realized as personnel attrite by retirement, resignation or by placement into valid vacancies. No adverse actions to current MLC workers will be incurred, such as reduction in force or pay downgrade, due to the consummation of the partnership.

### FISC DETACHMENT PROJECTED USCS LABOR COSTS

AUTHORIZED POSITION	PAY PLAN/ GRADE	ANNUAL LABOR COST (BILLETS)	ANNUAL LABOR COST
Purchasing Division	GS-09	1	\$64,809
<b>USCS PROJECTED LABOR COSTS</b>		<b>1</b>	<b>\$64,809</b>

### FISC DETACHMENT PROJECTED MLC LABOR COSTS

AUTHORIZED POSITION	PAY PLAN/ GRADE	ANNUAL LABOR COST (BILLETS)	ANNUAL LABOR COST
Administrative Division	MLC	1	\$ 47,000
Stock Control Division	MLC	1	\$ 47,000
Purchasing Division	MLC	4	\$ 141,000
ADP Division (Non-BLC)	MLC	0	\$ 0
QA/Hazmat Division	MLC	2	\$ 94,000
Material Division	MLC	9	\$ 423,000
Postal Division	MLC	1	\$ 47,000
Overtime Costs	MLC		\$ 29,476
<b>MLC PROJECTED LABOR COSTS</b>		<b>18</b>	<b>\$ 828,476</b>

**3.3.2.2 Military Personnel:** Military personnel projections are also based on the creation of a CFAO storefront, workload reductions in the HAZMIN operation, streamlined acquisition and the providing of CFAO area customers with backroom support from FISC Yokosuka. The Chief Warrant Officer would report to the FISC Commanding Officer as the FISC Yokosuka, Detachment Okinawa Officer in Charge and would have an ADDU relationship to the CFA Okinawa Commanding Officer. The remaining Lieutenant billet would oversee CFAO Logistics Department operations. FISCYDO would have a separate duty section, in accordance with current policy for other tenant commands on island. Collateral duties performed by CFAO personnel transferring to FISCYDO, which currently only includes DAPA duties, will remain with these personnel until their transfer or upon relief by other CFAO personnel.

### FISC DETACHMENT PROJECTED MILITARY LABOR COSTS

AUTHORIZED POSITION	PAY PLAN/ GRADE	ANNUAL LABOR COST (BILLETS)	ANNUAL LABOR COST
Admin Division	CWO4	1	\$ 90,190
Material Division	E-7	1	\$ 54,293
Material Division	E-6	2	\$ 93,888
Material Division	E-5	1	\$ 39,657
Material Division	E-4	1	\$ 32,339
Postal Division	E-6	1	\$ 46,944
Postal Division	E-5	1	\$ 39,657
Postal Division	E-3	4	\$ 107,216
PUK Management	E-7	1	\$ 54,293
PUK Management	E-4	1	\$ 32,339
Port Operations (White Beach)	E-5	1	\$ 39,657
<b>MILITARY PROJECTED LABOR COSTS</b>		<b>15</b>	<b>\$630,473</b>

**3.3.2.3 ADP:** A 20KB telecommunications line for STARS-FL is currently in place, and U2 communications could be accomplished via that existing line at no additional costs (i.e. \$12K annually). If this line does not meet the required processing time, it could be upgraded to a 56KB line for an additional \$18,000 annually. If this were to occur, then sufficient band width will exist to include U2 processing at no

additional cost. The USAF will have to approve this option due to the fact that it would be installed outside of the Air Force Local Area Network. NIPERNET is currently in place in Okinawa and may be another possible solution. This option would be at no cost.

**3.3.2.4 Travel/Training:** Upon converting CFAO from a stand-alone site to a U2 partner, site interface will be the responsibility of FISC Yokosuka and its designated Site Liaison Office. Annual travel and training costs are estimated at \$5,000.

### 3.3.3 Total FISC Detachment Projected Costs:

COST CATEGORY	ANNUAL COST	
	Dollars	Billets
USCS Civilian Personnel	\$ 64,809	1
MLC Civilian Personnel	\$828,476	18
Military Personnel	\$630,473	15
Travel/Training	\$ 5,000	-
ADP	\$ 18,000	-
<b>TOTAL PROJECTED COSTS</b>	<b>\$1,546,758</b>	<b>34</b>

### 3.4 Implementation Strategy:

**3.4.1 One-Time Implementation Costs:** Conversion Costs are estimated as follows:

**3.4.1.1 ADP Equipment:** The following ADP equipment is required to establish a U-2 partner site at CFAO:

Issue Receipt/Requisition Document (IRRD) Printer	2 x \$2000ea	\$4,000
MMD Printer	2 x \$2,000ea	\$4,000
Bar Code Scanner	2 x \$1,191ea	\$2,382
SCORPION	2 x \$3,100ea	\$6,200
<b>Total Cost:</b>		<b>\$16,582</b>

ADP equipment currently used for daily tasks (desktop computers) by CFAO personnel transferring to FISCYDO will be purchased by FISC Yokosuka if Y2K and IT21 compliant.

**3.4.1.2 ADP Conversion:** Labor costs for upgrade of ADP circuits and hardware, as well as labor for FISC systems applications programming and conversion are estimated to be **\$64K**. FISC Yokosuka will initiate the installation of required ADP equipment and will assume responsibility for its maintenance and replacement. Upon CFAO conversion to a U2 site, site interface will be the responsibility of FISC Yokosuka. Quarterly site visits between activities will be conducted.

**3.4.1.3 Cost Avoidance for UADPS Level II:** Not having to Re-host UADPS Level II system will save an estimated **\$466K**.

### 3.4.1.4 Total Conversion Savings:

CATEGORY	SAVINGS
ADP Equipment	\$ (16,582)
ADP Conversion	\$ (64,000)
UADPS Level II (Cost avoidance)	\$ 466,000
<b>TOTAL CONVERSION SAVINGS</b>	<b>\$385,418</b>

**3.4.2 Benefits:** Anticipated benefits include the following:

a. Reduction of logistics infrastructure would allow CFAO to convert MLC billets from logistics to other CFAO functions. The following functions will be performed using the 6 MLC billets:

Vehicle License Dispatch Office (PWD)	2 billets
Motor Vehicle Operation (PWD)	1 billet
Custodial Work (CBQ)	3 billets

- b. Net cost avoidance of \$385,418 by establishing a U-2 site and not re-hosting a Level II system.
- c. Consolidation of logistics infrastructure for Okinawa customers which would improve on-island customer service and support.
- d. Unique material would be positioned in Okinawa at the point of consumption resulting in a reduction in Average Customer Wait Time (AWCT) of five days for those line items. Requisitions for Okinawa customers would be filled more frequently from stocks located in Okinawa rather than from Yokosuka.
- e. Conversion from a stand-alone system to UADPS - U2 SITE improves asset visibility and utilization of stock fund dollars. All material positioned at CFAO would be on FISC Yokosuka MSIR records. Based on demands of Okinawa customers, material can be positioned closer to the customer point of consumption.
- f. Reduction in duplicative inventory levels and functions.
- g. Provides additional resources to support surge requirements in Okinawa, i.e. ARG support.

### 3.5 Comparison of Status Quo vs FISC Proposal:

COST CATEGORY	BASELINE COSTS	PROPOSED COSTS	SAVINGS
Civilian Personnel (USCS)	\$ 119,102	\$ 64,809	\$ 54,293
Civilian Personnel (MLC) *	\$1,177,614	\$828,476	\$349,138
Military Personnel	\$ 630,473	\$630,473	\$ 0
Annual ADP Maintenance	\$ 78,000	\$ 18,000	\$ 60,000
Travel/Training	\$ 0	\$ 5,000	\$ (5,000)
<b>TOTAL ANNUAL SAVINGS</b>	<b>\$2,005,189</b>	<b>\$1,546,758</b>	<b>\$458,431</b>

\* Based on \$47,000 per MLC billet and anticipated MLC overtime labor.

**4. RECOMMENDATION:** A partnership between FISC Yokosuka and Commander, Fleet Activities Okinawa (CFAO) would save over \$494,000 for the U.S. Government and potentially \$349,000 in U.S. Government funded MLC positions, a total of \$843,000 in logistics savings for the first year. Excess billets identified will potentially be used in other CFAO non-partnered functions. Subsequent year annual logistics savings amount to \$109,293 for the U.S. Government and potentially \$349,138 in U.S. Government funded MLC positions, a total of \$458,431. The partnership would also integrate the capabilities of the two activities into a coordinated, regional network improving support for Navy and Marine Corps aviation customers, while also reducing infrastructure duplications, inefficiencies and costs. The integrated organization would have the resources and flexibility to augment staffing as needed through the use of "fly-away" teams or customer service beach detachments during periods of heavy fleet operations. As identified in the proposed scenario, a transfer of Okinawa Supply Support responsibility and resources from CFA Okinawa to FISC Yokosuka is recommended, using UADPS-U2 as the primary tool for implementation.